

CHAPTER 6

BUDGETING

Certified Budget

Definitions

The board of directors of the school district is a certifying board which means it has the power or duty to certify any tax to be levied or sum of money to be collected by taxation. The County Board of Supervisors is the levying board which means it has the power to levy a tax. Fiscal year means the period of twelve months beginning on July 1 and ending on the following June 30. Tax means any general or special tax levied against persons, property, or business, for public purposes as provided by law. The term "state board" for purposes of budgets means the state appeals board (24.2).

The fiscal year of cities, counties, and other political subdivisions of the state shall begin July 1 and end the following June 30. For the purposes of this section, the term political subdivision includes school districts (8.51).

Estimates

The board of each school district shall estimate the amount of the proposed expenditures and proposed receipts for the general school purposes at a time and in a manner to effectuate the provisions of chapter 257 and sections 256B.9 and 256B.11. Compliance with chapter 24 shall be observed (298.1).

All estimates required by law shall be made and filed a sufficient length of time in advance of any regular or special meeting of the board at which tax levies are authorized to be made to permit publication, discussion, and consideration thereof and action thereon (24.4).

The estimates required shall be fully itemized and classified so as to show each particular class of proposed expenditure, showing under separate heads the amount required in such manner and form as shall be prescribed by the state appeals board (24.5).

A school district may include in the estimate required, an estimate for an emergency fund. The school board may assess and levy a tax for the emergency fund at a rate not to exceed twenty-seven cents per thousand dollars of assessed value of taxable property, provided that an emergency tax levy shall not be made until the school district has first petitioned the state appeals board and received its approval. Transfers of moneys may be made from the emergency fund to any other fund of the school district for the purpose of meeting deficiencies in a fund arising from any cause, provided that a transfer shall not be made except upon the written approval of the state appeals board, and then only when that approval is requested by a two-thirds vote of the board of directors of the school district (24.6).

No district shall certify or levy in any fiscal year any tax on property subject to taxation unless and until the following estimates have been made, filed, and considered:

1. The amount of income for the several funds from sources other than taxation.
2. The amount proposed to be raised by taxation.
3. The amount proposed to be expended in each and every fund and for each and every general purpose during the fiscal year next ensuing, which shall be the period of twelve months beginning on the first day of July of the current calendar year.
4. A comparison of such amounts so proposed to be expended with the amounts expended for like purposes for the two preceding years (24.3).

School corporations containing territory in adjoining counties may vote and estimate all taxes for school purposes in dollars and cents per thousand dollars of assessed value (298.5).

The difference between the receipts estimated from all sources other than taxation and the estimated expenditures for all purposes, including the estimates for emergency expenditures, shall be the estimated amount to be raised by taxation upon the assessable property within the district for the next ensuing fiscal year. The estimate shall show the number of dollars of taxation for each thousand dollars of the assessed value of all property that is assessed (24.8).

The board shall annually budget specified funds to implement a plan which shall provide for the professional development of all staff (IAC 281--12.7).

For the budget year beginning July 1, 1989, and each of the following three budget years, the board of directors of a school district in which the administrative expenditures as a percent of the school district's general fund for a base year exceed five percent, shall reduce its administrative expenditures so that they are one-half percent less as a percent of the school district's general fund than they were for the base year. However, a school district is not required to reduce its administrative expenditures below five percent of its general fund. Thereafter, a school district shall not increase the percent of its administrative expenditures compared to the general fund. Administrative expenditures means the total cost of the office of the superintendent (279.45). Both administrative expenditures and total expenditure exclude fund modifications for purposes of this calculation.

School districts shall pay for the programs and services provided through the area education agency and shall include expenditures for the programs and services in their budgets, in accordance with this section (273.9(1)). The department of management shall deduct the amounts calculated for special education support services, media services, and educational services for each school district from the state aid due to the district pursuant to chapter 257 and shall pay the amounts to the respective AEAs on a monthly basis from September 15 through June 15 during each school year. The department of management shall notify each school district of the amount of state aid deducted for these purposes and the balance of state aid shall be paid to the district. If a district does not qualify for state aid under chapter 257 in an amount sufficient to cover its amount due to the AEA as calculated by the department of management, the school district shall pay the deficiency to the AEA from other moneys received by the district, on a quarterly basis during each school year (257.35).

IPERS contributions must come from the same fund as the employee's salary and must be budgeted (OAG #76-9-27).

School districts are required to budget, account for, and report each and every expenditure. Interagency transactions including whole and partial grade sharing, personnel sharing, and other sales of services are shown gross and shall not be shown net. If the agencies bartered for services rather than issuing payments, the barter is reported as if payment had been made.

Fund Summaries

General Fund is used to account for all transactions except those that are required by law to be accounted for in any other fund. The tax levy limit for this fund is established through the school foundation formula. A portion of the levies for the general fund may be funded by an income surtax.

Emergency Fund is a special revenue fund used to account for receipts and transfers from a levy certified by the board of directors, with the express permission of the state appeals board, under section 24.6. Funds are transferred from the emergency fund to other funds only with express permission of the state appeals board.

Management Levy Fund is a special revenue fund used to account for all financial transactions from the levy authorized under section 298.4. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of liability insurance and judgments or settlements relating to liability. This fund cannot be used for employee health, life, or disability insurance, even if the district is self-insured.

Library Levy Fund is a special revenue fund used to account for all financial transactions from the levy authorized under section 298.7. Only one school district has the library levy.

Schoolhouse 67.5 Cent Tax Levy Fund is a special revenue fund used to account for all financial transactions from the levy authorized by section 278.1(7). The opportunity to seek any new or renewed levy has expired. This fund continues in existence until all deposited funds are expended for the purposes included in the proposition voted by the electors.

Physical Plant and Equipment Levy (PPEL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, under section 298.2. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment. A portion of the voter-approved PPEL may be funded by income surtax.

Public Education and Recreation Levy (PERL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized by section 300.2 or from a 28E agreement authorized under section 300.1. This levy, once approved by a majority vote of the electors, remains in effect until voted to be discontinued.

Special Revenue Trust Funds are special revenue funds used to account for all financial transactions from trusts received when the principal and interest from the trust may be used for purposes that support the district's programs. No taxes are levied for these funds.

Student Activity Fund is a special revenue fund used to account for money received from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Moneys in this fund must be used to support only the program defined in the Iowa Administrative Code. This fund shall not be used as a clearing account for another fund. No taxes are levied for this fund.

Capital Projects Funds are established when a district issues bonds or other authorized indebtedness for capital projects or which initiates a capital project, or which receives grants or other funds for capital projects. These capital projects are those related to the acquisition of construction of major capital facilities other than those financed by proprietary funds or trust funds. When a capital project for facilities is lawfully initiated in any existing fund, the moneys for that project are transferred to a capital project fund by an operating transfer from the fund authorized to initiate the acquisition or construction, and the payment of the project's expenditures should be made from the capital project fund established to account for the project. The local option sales and services tax for school infrastructure fund is a capital projects fund. No taxes are levied for these funds. If a capital project is to be initiated with borrowed funds, the loan proceeds must first be deposited into the fund authorized to issue that debt and then be transferred to the capital projects fund through an operating transfer.

Debt Service Fund is established when a district issues bonds or other authorized general long-term indebtedness except those financed by proprietary or trust funds. The purpose of the fund is to pay interest as it becomes due and the amount necessary to pay the principal when due on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code. Money available to service this debt and received from sources other than the debt service property tax levy shall be transferred to the debt service fund through an operating transfer from the fund which issued the original indebtedness and the payment of the debt shall be made from the debt service fund. The Code requires that beginning balances and interest earnings be considered when determining the levy necessary each year for principal and interest payments on bonded indebtedness.

Permanent Funds are established to account for all financial transactions of funds received when only the interest earned may be used for purposes that support the district's programs. No taxes are levied for these funds. Permanent funds are not budgeted.

School Nutrition Fund is a proprietary enterprise fund used to account for all financial transactions for the nutrition program authorized under chapter 283A. No taxes are levied for this fund.

Child Care Fund is a proprietary enterprise fund used to account for all financial transactions for the child care program authorized under section 279.49. No taxes are levied for this fund.

Other Enterprise Funds are proprietary funds used to account for all financial transactions related to operations that are financed and operated in a manner similar to private business where the intent is that the costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges. Examples would be public swimming pools, preschools, automotive repair shops, farms, and home construction projects. No taxes are levied for these funds.

Internal Service Funds are proprietary funds used to account for all financial transactions related to operations of district activities that provide goods or services to the district, other districts, or other governments, on a cost-reimbursement basis and where the district is the largest user of the goods or services. If the district is not the largest user of the good or services, the activity is accounted for in an Enterprise fund. No taxes are levied for these funds. Internal Service Funds are not budgeted.

Private Purpose Trust Funds are established to account for all financial transactions of trusts received when the principal and income benefit individuals, private organizations, or other governments instead of supporting the district's programs. Examples would be scholarship funds. No taxes are levied for these funds. Private Purpose Trust Funds are not budgeted.

Pension Trust Funds are established to account for all financial transactions when money is held by the district as trustee or custodian for an employee pension plan. Only one district has established a local pension plan. No taxes are levied for these funds. Pension Trust Funds are not budgeted.

Agency Funds are established to account for all financial transactions when money and property are received and administered by the district in the capacity of an agent. No taxes are levied for these funds. Agency funds are not owned by the district and are not budgeted.

Basis of Budgeting

School districts and AEAs are required to conform to generally accepted accounting principles (GAAP) for accounting and reporting commencing with the school year beginning July 1 1996 (257.31(4)). This does not apply to budgeting. Districts may continue to budget on the cash basis. Once a district converts to the GAAP basis of budgeting, it cannot return to cash basis budgeting in any future year. If two or more districts reorganize, and one of the former districts budgeted on the GAAP basis, the newly reorganized district shall budget on the GAAP basis (SBRC decision #1991-028).

Legal provisions may conflict with GAAP. Statement 1 of GAAFR says, "Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the governmental unit should present such additional schedules and narrative explanations in the comprehensive annual financial report as may be necessary to report its legal compliance responsibilities and accountabilities. In extreme cases, preparation of a separate legal-basis special report may be necessary....Conflicts between legal provisions and GAAP do not require maintaining two accounting systems. Rather, the accounting system may be maintained on a legal compliance basis, but should include sufficient additional records to permit GAAP-based reporting."

When GAAP provides more than one method for accounting for a financial transaction, the department of education may determine which method will be used for school districts and AEAs to ensure consistency in reporting as required by Iowa Code (256.9(18)).

The "basis of budgeting" refers to the point in time when revenues, expenditures or expenses (as appropriate), and the related assets and liabilities are recognized in the accounts and reported in the financial statements. In other words, the "basis of budgeting" determines the timing with which the budgeting system recognizes transactions.

Cash-Basis

Cash-basis budgeting recognizes transactions when cash is received or disbursed. All other assets and liabilities are recognized only to the extent they have arisen from prior cash transactions. Long-term notes and bonds receivable and payable are, therefore, recognized, for example, but accounts receivable and accounts payable are not. Cash-basis budgeting provides information about the school district's financial operations only by reporting changes in the system's cash balance, adjusted for changes in any other assets or liabilities which have arisen through prior cash transactions.

One of the greatest weaknesses of the cash basis is that it does not recognize accounts receivable, accounts payable and other accrued items. It therefore does not match resources used to resources provided. This situation may falsely lead financial statement readers to believe that the statements present the school district's complete financial position and results of operations. Using the cash basis, a school district may thus fall into a deficit position without being aware of its real financial position. It is difficult to eliminate a current year deficit if the school district is not aware of the circumstances until the close of the fiscal year. With cash-basis statements, then, the statement reader may not be able to determine if a school district is operating beyond its means.

GAAP (Accrual/modified accrual) Basis

The GAAP basis of budgeting is regarded as the superior method of accounting for the economic resources of the school district by the governmental accounting standards board (GASB) and other accounting professionals. This method allows a school district to determine its financial position and results of operations by measuring economic resources and obligations. Changes in these factors can also be measured as those changes occur, regardless of the timing of the related cash flows.

Some of the advantages of GAAP basis include:

- providing a comprehensive measurement of financial position and results of operations;
- providing accountability for individual assets within the accounting system at the earliest appropriate date;
- providing the potential for cost accounting analyses and comparisons;
- promoting comparability from period to period;
- reducing management's ability to control cash flows in such a way as to produce financial statements that will seem to present financial position and results of operations in either a more optimistic or more pessimistic context, depending upon management's particular preference at the end of any given fiscal year.

Publication

Each district shall file with the secretary the estimates at least twenty days before the date fixed by law for certifying, shall fix a date for a budget hearing, and shall publish the estimates and any annual levies previously authorized, with a notice of the time and place of the hearing which shall be held not less than ten nor more than twenty days before the hearing. The publication shall be in a newspaper published in the district, if any, if not, then in a newspaper of general circulation in the district (24.9).

The verified proof of publication of the notice shall be filed in the office of the county auditor and preserved by the auditor. No levy shall be valid unless and until such notice is published and filed (24.10). The cost of publishing the notices and estimates and the actual and necessary expenses of preparing the budget shall be paid out of the general fund (24.16).

Hearing

The board shall meet at the time and place designated in the notice, at which meeting any person who would be subject to such tax levy, shall be heard in favor of or against the same or any part thereof (24.11).

Certification

The board shall certify the adopted budget in duplicate to the control county auditor not later than April 15 of each year (24.17). A complete copy of the budget papers shall also be filed with the School Budget Review Committee, School Finance Team, Division of Financial and Information Services, Department of Education. The board must file with the county auditor by April 1 a bond resolution for a new bond issue or the results of a special election for a Voted Physical Plant and Equipment Fund Levy.

No tax shall be levied by any school district in excess of the estimates published, except such taxes as are approved by a vote of the people, but in no case shall any tax levy be in excess of any limitation imposed now or hereafter by the Constitution and laws of Iowa (24.15).

A school district which has issued obligations in anticipation of schoolhouse tax receipts may, at time of issuance, certify the annual levy of an amount which is within tax limits approved by the voters when computed on adjusted taxable valuation of the school district for the fiscal year preceding the year in which the obligations are issued, and the county auditor must annually levy that amount until the obligations are satisfied, regardless of changes in school district property values in future years (OAG #87-12-12).

Levying

After the hearing has been concluded, the school board shall enter of record its decision in the manner and form prescribed by the state appeals board and shall certify the same to the county. The county board of supervisors shall enter upon the current assessment and tax roll the amount of taxes which it finds shall be levied for the ensuing fiscal year in each municipality for which it makes the tax levy (24.12).

At the time required by law the board of supervisors shall spread the tax rates necessary to produce the amount required for the various funds of the school district as certified by the school board, for the next succeeding fiscal year, as shown in the approved budget in the manner provided by law (24.19).

The board of supervisors shall at the time of levying taxes for county purposes levy the taxes necessary to raise the various funds authorized by law and certified to it by law, but if the amount certified for any such fund is in excess of the amount authorized by law, it shall levy only so much thereof as is authorized by law (298.8).

A greater tax than that so entered upon the record shall not be levied or collected for the school district proposing the tax for the purposes indicated and a greater expenditure of public money shall not be made for any specific purpose than the amount estimated and appropriated for that purpose (24.14).

The several tax rates and levies of the school district thus determined and certified in the manner approved by chapter 24, except such as are authorized by a vote of the people, shall stand as the tax rates and levies of the school district for the ensuing fiscal year for the purposes set out in the budget (24.20).

A school district cannot issue warrants for any amount which is greater than the amount estimated and appropriated for the particular fund upon which the warrants are issued for the year (1926 Op. Att'y Gen. 302 (#26-2-27)).

A tax levied to pay invalid indebtedness is itself invalid (Treep v. Independent School district of Pocahontas, 1932, 213 Iowa 944, 240 N.W. 247).

Budget Protest

Not later than April 25, a number of persons in the school district equal to one-fourth of one percent of those voting for the office of governor, at the last general election in the district, but the number shall not be less than ten, and the number need not be more than one hundred persons, who are affected by any proposed budget, expenditure or tax levy, or by any item thereof, may appeal by filing with the county auditor of the county in which the school corporation is located, a written protest setting forth their objections to the budget, expenditure or tax levy, or to one or more items thereof, and the grounds for their objections. If a budget is certified after April 15, all appeal time limits shall be extended to correspond to allowances for a timely filing. Upon the filing of the protest, the county auditor shall immediately prepare a true and complete copy of the written protest, together with the budget, proposed tax levy or expenditure to which objections are made, and shall transmit them to the state appeal board, and shall also send a copy of the protest to the board of the district (24.27). The state appeal board, within a reasonable time, shall fix a date for an initial hearing on the protest which shall be held in the county in which the school district is located. Notice of the time and place of the hearing shall be given by certified mail to the appropriate officials of the school district and to the first ten property owners whose names appear upon the protest, at least five days before the date fixed for the hearing. At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the budget of the previous year and which the objectors propose should be reduced or excluded; but the burden shall be upon the school board to show that any new item in the budget, or any increase in any item in the budget, is necessary, reasonable, and in the interest of the public welfare (24.28). It shall be the duty of the state appeal board to review and finally pass upon all proposed budget expenditures, tax levies and tax assessments from which appeal is taken and it shall have power and authority to approve, disapprove, or reduce all such proposed budgets, expenditures, and tax levies so submitted to it upon appeal; but in no event may it increase such budget, expenditure, tax levies or assessments or any item contained therein (24.30). After a hearing upon the appeal, the state appeal board shall certify its decision to the county auditor and to the parties to the appeal as provided by rule, and the decision shall be final. The county auditor shall make up the records in accordance with the decision and the levying board shall make its levy in accordance with the decision. Upon receipt of the decision, the school board shall correct its records accordingly, if necessary. Final disposition of all appeals shall be made by the state appeal board on or before April 30 of each year (24.32).

Appeal for Suspension of Limitations

If the property tax valuations effective January 1, 1979, and January 1 of any subsequent year, are reduced or there is an unusually low growth rate in the property tax base of a school district, the school district may appeal to the state appeal board to request suspension of the statutory property tax levy limitations to continue to fund the present services provided. A school district may also appeal to the state appeal board where the property tax base of the school district has been reduced or there is an unusually low growth rate for any of the following reasons:

1. Any unusual increase in population as determined by the preceding certified federal census.
2. Natural disasters or other emergencies.
3. Unusual problems relating to major new functions required by state law.
4. Unusual staffing problems.
5. Unusual need for additional funds to permit continuance of a program which provides substantial benefit to its residents.
6. Unusual need for a new program which will provide substantial benefit to residents, if the school district establishes the need and the amount of the necessary increased cost.

The state appeal board may approve or modify the request of the school district for suspension of the statutory property tax levy limitations (24.48).

Amendment

Budget estimates adopted and certified may be amended and increased as the need arises to permit appropriation and expenditure during the fiscal year covered by the budget of:

1. unexpended cash balances on hand at the close of the preceding fiscal year and which cash balances had not been estimated and appropriated for expenditure during the fiscal year of the budget sought to be amended, and
2. also to permit appropriation and expenditure during the fiscal year covered by the budget of amounts of cash anticipated to be available during the year from sources other than taxation and which had not been estimated and appropriated for expenditures during the fiscal year of the budget sought to be amended (24.9).

Such amendments to budget estimates may be considered and adopted at any time during the fiscal year covered by the budget sought to be amended, by filing the amendments and upon publishing them and giving notice of the public hearing. The amendment must be published with a notice of the time and place of a hearing on the amendment not less than ten nor more than twenty days before the hearing. Within ten days of the decision of the board, the proposed amendment of the budget is subject to protest, hearing on the protest, appeal to the state appeal board and review by the board. A local budget shall be amended by May 31 of the current fiscal year to allow time for a protest hearing to be held and a decision rendered before June 30. An amendment of the budget after May 31 which is properly appealed but without adequate time for hearing and decision before June 30 is void (24.9).

Because amendments can be appealed and voided, budgets should be amended prior to making any expenditures which would cause the district to exceed the amount it certified.

School Foundation Program

The authorized budget refers to the financing of school programs in the general fund.

Foundation State Aid

For a budget year, each school district in the state is entitled to receive foundation aid, in an amount per pupil equal to the difference between the amount per pupil of foundation property tax in the district, and the combined foundation base per pupil or the combined district cost per pupil, whichever is less. However, if the amount of foundation aid received by a school district under chapter 257 is less than three hundred dollars per pupil, the district is entitled to receive three hundred dollars per pupil unless the receipt of three hundred dollars per pupil plus the per pupil amount raised by the foundation property tax exceeds the combined district cost per pupil of the district for the budget year. In that case, the district is entitled to receive an amount per pupil equal to the difference between the per pupil amount raised by the foundation property tax for the budget year and the combined district cost per pupil for the budget year (257.1(2)).

Foundation Property Tax

Except as provided in subsections 257.3(2) and (3), a school district shall cause to be levied each year, for the school general fund, a foundation property tax equal to five dollars and forty cents per thousand dollars of assessed valuation on all taxable property in the district (257.3(1)).

Notwithstanding subsection 1, a reorganized school district shall cause a foundation property tax of four dollars and forty cents per thousand dollars of assessed valuation to be levied on all taxable property which, in the year preceding a reorganization, was within a school district affected by the reorganization or dissolution. In years preceding the reorganization or dissolution, the school district affected must have had a certified enrollment of fewer than 600 in order for the four dollar and forty cent levy to apply. In succeeding years, the foundation property tax levy on that portion shall be increased to the rate of four dollars and ninety cents per thousand dollars of assessed valuation the first succeeding year, five dollars and fifteen cents per thousand dollars of assessed valuation the second succeeding year, and five dollars and forty cents per thousand dollars of assessed valuation the third succeeding year and each year thereafter (257.3(2)).

Additional Property Tax

A school district shall cause an additional property tax to be levied each year. The rate of the additional property tax levy in a school district shall be determined by the department of management and shall be calculated to raise the difference between the combined district cost for the budget year and the sum of the products of the regular program foundation base per pupil times the weighted enrollment in the district and the special education support services foundation base per pupil times the special education support services weighted enrollment in the district (257.4(1)).

Budget Enrollment

Budget enrollment for a budget year is a district's actual enrollment taken in the base year (fiscal year prior to the budget year). Actual enrollment is determined on the third Friday in September each year (257.6(1), (2), (4)).

The department of management shall adjust the enrollment of the school district for the audit year based upon reports filed under section 11.6, and shall further adjust the budget of the second year succeeding the audit year for the

property tax and state aid portions of the reported differences in enrollments for the year succeeding the audit year (257.6).

Weighted Enrollment

Weighted enrollment is the budget enrollment plus the district's additional enrollment because of special education calculated on November 1 of the base year plus additional pupils added due to the application of the supplementary weighting. Weighted enrollment for special education support services costs is equal to the weighted enrollment minus the additional pupils added due to the application of the supplementary weighting (257.6(5)).

Supplementary Weighting

In order to provide additional funds for school districts which send their resident pupils to another school district, which jointly employ and share the services of teachers under section 280.15, or which use the services of a teacher employed by another school district, a supplementary weighting plan for determining enrollment is adopted in section 257.11 (257.11(2)(a)). In order to provide additional funds for school districts which send their resident pupils to a community college for classes, a supplementary weighting plan for determining enrolled in adopted (257.1(3)).

At Risk Programs Supplementary Weighting

In order to provided additional funding to school districts for programs serving at-risk pupils and alternative secondary school pupils, a supplementary weighting plan for at-risk pupils is adopted in section 257.11(4). Amounts received as supplementary weighting for at-risk pupils shall be utilized by a school district to develop or maintain at-risk pupils' programs, which may include alternative school programs (277.11(4)).

Limited English Proficient Weighting

When the student is limited English proficient, public schools shall provide special instruction, which shall include but need not be limited to either instruction in English as a second language or transitional bilingual instruction until the student is fully English proficient or demonstrates a functional ability to speak, read, write, and understand the English language. In order to provide funds for the excess costs of instruction of limited English proficient students above the costs of instruction of pupils in a regular curriculum, students identified as limited English proficient shall be assigned an additional weighting that shall be included in the weighted enrollment of the school district of residence for a period not exceeding three years (280.4(4)).

Reorganization Incentive Supplementary Weighting

Each district which initiated, by a vote of the board of directors or jointly by the affected boards, action to bring about a reorganization or dissolution to take effect on or after July 1, 2002, and on or before July 1, 2006, shall certify the date and the nature of the action taken to the Department of Education by January 1 of the year in which the reorganization or dissolution takes effect (257.3(2)). The reorganized school district shall include, for a period specified in Code following the effective date of the reorganization, additional pupils added by the application of the supplementary weighting plan, equal to the pupils added by the application of the supplementary weighting plan in the year preceding the organization. For the purposes of this subsection, the weighted enrollment for the period of three years follows the effective date of reorganization shall include the supplementary weighting in the base year used for determining the combined district cost for the first year of the reorganization. However, the weighting shall be reduced by the supplementary weighting added for a pupil whose residency is not within the reorganized district (257.11A(1)).

Regular Program District Cost Per Pupil

The regular program district cost per pupil for each school district for a budget year is the regular program district cost per pupil for the base year plus the regular program allowable growth for the budget year except in the following situation: If the regular program district cost per pupil of a school district for the budget year exceeds one hundred five percent of the regular program state cost per pupil for the budget year and the state percent of growth for the budget year is greater than two percent, the regular program district cost per pupil for the budget year for that district shall be reduced to one hundred five percent of the regular program state cost per pupil for the budget year. However, if the difference between the regular program district cost per pupil for the budget year and the regular program state cost per pupil for the budget year is greater than an amount equal to two percent multiplied by the regular program state cost per pupil for the base year, the regular program district cost per pupil for the budget year shall be reduced by the amount equal to two percent multiplied by the regular program state cost per pupil for the base year (257.10(2)(b)).

Gifted and Talented Program Funding

The proportion of a school district's budget which corresponds to the thirty-eight dollar increase in allowable growth for the school budget year beginning July 1, 1999, added to the amount in subsection 257.46(1), shall be utilized exclusively for a school district's gifted and talented program (257.46).

Combined District Cost

Combined district cost is the sum of the regular program district cost per pupil multiplied by the weighted enrollment and the special education support services district cost, plus the additional district cost allocated to the district to fund media services and educational services provided through the AEA. A school district may increase its district cost for the budget year to the extent that an excess tax levy is authorized by the school budget review committee (SBRC) (257.10(8)).

Authorized Expenditures

School districts are subject to chapter 24. The authorized expenditures of a school district during a base year shall not exceed the lesser of the budget for that year certified under section 24.17 [for the general fund] plus any allowable amendments permitted, or the authorized budget, which is the sum of the combined district cost for that year, the actual miscellaneous income received for that year, and the actual unspent balance from the preceding year (257.7(1)).

Miscellaneous Income

Miscellaneous income means the receipts deposited to the general fund of the school district but not including any of the following:

- a. Foundation aid.
- b. Revenue obtained from the foundation property tax.
- c. Revenue obtained from the additional property tax (257.2(9)).

Miscellaneous income also does not include cash reserve levy receipts.

Unspent Balance

Unspent balance means the authorized expenditures of the preceding year less actual expenditures of the preceding year. Expenditure means the total amounts paid from the general fund of a school district (257.2(8)).

Additional Funding Sources

Instructional Support Program

An instructional support program that provides additional funding for school districts is established (257.18).

The additional funding for the instructional support program for a budget year is limited to an amount not exceeding ten percent of the total of regular program district cost for the budget year and moneys received under section 257.14 as a budget adjustment for the budget year. Moneys received by a district for the instructional support program are miscellaneous income and may be used for any general fund purpose. However, moneys received by a district from the instruction support program shall not be used as, or in a manner which has the effect of, supplanting funds authorized to be received under sections 257.41, 257.46, 298.2, and 298.4, or to cover any deficiencies in funding for special education instructional services resulting from the application of the special education weighting plan under section 256B.9. Funding for the instructional support program shall be obtained from instructional support state aid and from local funding using either an instructional support property tax or a combination of an instructional support property tax and instructional support income surtax (257.19).

Even though the instructional support program is miscellaneous income, the authority is generated at the point of certification rather than at the point of receipt.

Educational Improvement Program

An educational improvement program is established to provide additional funding for school districts in which the regular program district cost per pupil for a budget year is one hundred ten percent of the regular program state cost per pupil for the budget year and which have approved the use of the instructional support program established in section

257.18. The educational improvement program shall be funded by either an educational improvement property tax or by a combination of an educational improvement property tax and an educational improvement income surtax. Moneys received by a school district under the educational improvement program are miscellaneous income (257.29).

Even though the educational improvement program is miscellaneous income, the authority is generated at the point of certification rather than at the point of receipt.

Authority to Spend Unexpended Cash Balance

The SBRC may authorize a district to spend a reasonable and specified amount from its unexpended cash balance for either of the following two purposes:

- a. Furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a bond issue as provided by law or the tax levy provided in section 298.2.
- b. The costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within three years of the dissolution or reorganization.

Other expenditures, including but not limited to expenditures for salaries or recurring costs, are not authorized under this subsection. Expenditures authorized under this subsection shall not be included in allowable growth or district cost, and the portion of the unexpended cash balance which is authorized to be spent shall be regarded as if it were miscellaneous income. Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended cash balance (257.31(7)).

SBRC Grants

If a district has unusual circumstances, creating an unusual need for additional funds, the SBRC may grant supplemental aid to the district from any funds appropriated to the department of education for the use of the SBRC for the purposes in subsection 257.31(5), and such aid shall be miscellaneous income and shall not be included in district cost (257.31(5)).

Modified Allowable Growth

If a district has unusual circumstances, creating an unusual need for additional funds, including but not limited to the following circumstances, the SBRC may establish a modified allowable growth for the district by increasing its allowable growth:

- a. Any unusual increase or decrease in enrollment.
- b. Unusual natural disasters.
- c. Unusual initial staffing problems.
- d. The closing of a nonpublic school, wholly or in part.
- e. Substantial reduction in miscellaneous income due to circumstances beyond the control of the district.
- f. Unusual necessity for additional funds to permit continuance of a course or program which provides substantial benefit to pupils.
- g. Unusual need for a new course or program which will provide substantial benefit to pupils, if the district establishes the need and the amount of necessary increased cost.
- h. Unusual need for additional funds for special education or compensatory education programs.
- i. Year-round or substantially year-round attendance programs which apply toward graduation requirements, including but not limited to trimester or four-quarter programs. Enrollment in such programs shall be adjusted to reflect equivalency to normal school year attendance.
- j. Unusual need to continue providing a program or other special assistance to non-English speaking pupils after the expiration of the three-year period specified in section 280.4.
- k. Circumstances caused by unusual demographic characteristics.
- l. Any unique problems of school districts (257.31(5)).

The SBRC may approve or modify the initial base year district cost of any district which changes accounting procedures (257.31(8)).

The SBRC may grant supplemental aid or modified allowable growth to a school district to continue funding a Limited English Proficient program for students after the expiration of the three-year period (280.4(3)).

A district of residence may apply to the SBRC for modified allowable growth if a student was not included in the resident district's enrollment count during the fall of the year preceding the student's transfer under open enrollment when open enrollment tuition is required to be paid for that student by the district of residence (282.18).

The SBRC shall establish a modified allowable growth for a district by increasing its allowable growth and certify the same to the department of management:

1. When the district submits evidence that it requires additional funding for removal, management, or abatement of environmental hazards due to a state or federal requirement. Environmental hazards shall include but are not limited to the presence of asbestos, radon, or the presence of any other hazardous material dangerous to health and safety. The district shall include a budget for the actual cost of the project that may include the costs of inspection, reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, developing of management plans, recordkeeping requirements, and encapsulation or removal of the hazardous material (257.31(6)).
2. When the district requests it to fund the special education deficit (257.31(14)(b)).

The department of management shall establish a modified allowable growth for each district:

3. When the district has an approved program for returning dropouts and dropout prevention (257.41).

The SBRC is also involved in the selection of awardees for the Vision Iowa School Infrastructure Grant Program (chapter 292) and the Iowa Federal Demonstration Grant Program (422E.5).

Cash Reserve

The board of directors of a school district may certify for levy by April 15 of a school year, a tax on all taxable property in the school district in order to raise an amount for a necessary cash reserve for a school district's general fund. The amount raised for a necessary cash reserve does not increase a school district's authorized expenditures as defined in section 257.7 (298.10).

Annually the SBRC shall review the amount of property tax levied by each school district for the cash reserve (257.31(15)).

If a school district receives less state school foundation aid under section 257.1 than is due under that section for a base year and the school district uses funds from its cash reserve during the base year to make up for the amount of state aid not paid, the board of directors of the school district shall include in its general fund budget document information about the amount of the cash reserve used to replace the state school foundation aid not paid (257.34).

A school district may certify a cash reserve levy pursuant to Code to provide cash to replace withheld state aid and allow the district to meet authorized expenditures even though utilization of this levy will cause variation in the property tax rates among districts (OAG #90-2-9(L)).

Budget Review

The school budget review committee may recommend the revision of any rules, regulations, directives, or forms relating to school district budgeting and accounting, confer with local school boards or their representatives and make recommendations relating to any budgeting or accounting matters, and direct the director of the department of education or the director of the department of management to make studies and investigations of school costs in any school district (257.31(1)).

The school budget review committee shall review the proposed budget and certified budget of each school district, and may make recommendations. The committee may make decisions affecting budgets to the extent provided in chapter 257 (257.31(3)).

The committee shall review the recommendations of the director of the department of education relating to the special education weighting plan, and shall establish a weighting plan for each school year pursuant to section 256B.9, and report the plan to the director of the department of education (257.31(12)).

As soon as possible following June 30 of the base year, the school budget review committee shall determine for each school district the balance of funds, whether positive or negative, raised for special education instruction programs under the special education weighting plan established in section 256B.9. The committee shall certify the balance of funds for each school district to the director of the department of management (257.31(14)).

Annually the school budget review committee shall review the amount of property tax levied by each school district for the cash reserve authorized in section 298.10. If in the committee's judgment, the amount of a district's cash reserve levy is unreasonably high, the committee shall instruct the director of the department of management to reduce that

district's tax levy computed under section 257.4 for the following budget year by the amount the cash reserve levy is deemed excessive. A reduction in a district's property tax levy for a budget year under this subsection does not affect the district's authorized budget (257.31(15)).

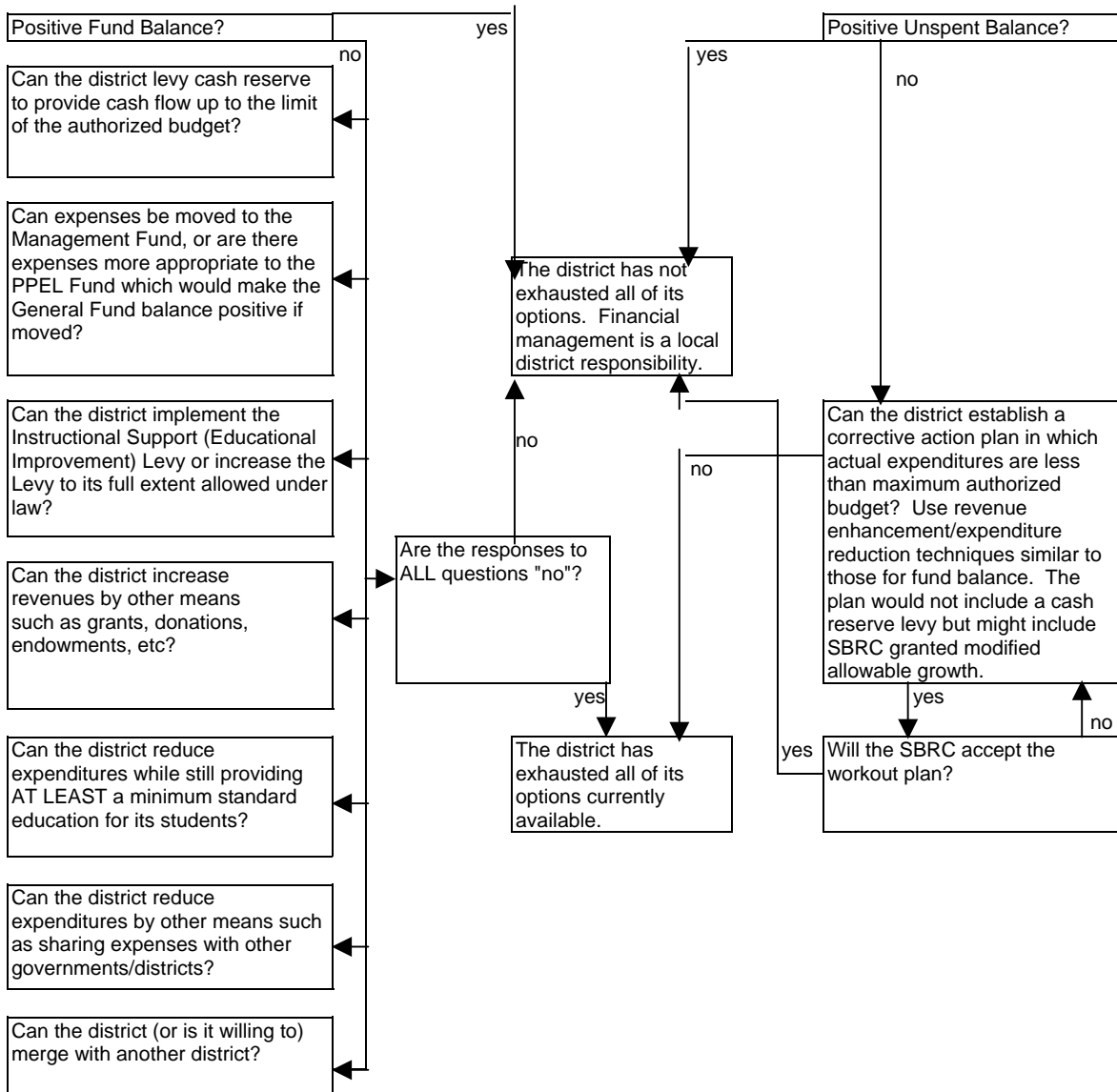
The school budget review committee shall review the proposed budget and certified budget of each school district and shall handle exceeding authorized budgets (negative unspent balances) as follows:

- a. A listing of the unspent balance as well as the unexpended cash balance of each school district for each fiscal year shall be reviewed by the committee.
- b. The amount of any negative unspent balance shall be automatically subtracted from the authorized budget of a given school district during the subsequent fiscal year.
- c. The state board of education shall be notified of the school districts with negative unspent balances each year. The notification shall include the amount the school district exceeded its authorized budget.
- d. The board members of districts with negative unspent balances shall be notified of the amount the school district exceeded its authorized budget. The school districts shall inform the SBRC at its next official hearing of the plans that are being implemented to avoid future negative unspent balances (IAC 289—6.5(2)).

The school budget review committee shall review the proposed budget and certified budget of each school district and shall handle excessive cash reserve levies as follows:

- a. Annually the school budget review committee shall review the amount of property tax levied by each school district for the cash reserve authorized in Iowa Code section 298.10.
- b. If in the committee's judgment, the amount of a district's cash reserve levy is unreasonably high, the committee shall instruct the director of the department of management to reduce that school district's tax levy computed under Iowa Code section 257.4 for the following budget year by the amount the cash reserve levy is deemed excessive.
- c. Notwithstanding any other action approved by the committee, cash reserve levies for the budget year shall not exceed 25 percent (25%) of the general fund expenditures for the year previous to the base year minus the general fund balance for the year previous to the base year. But expenditures and fund balance are calculated on the same basis, cash or GAAP, that the district uses for budgeting.
- d. A reduction in a district's property tax levy for a budget year for cash reserve shall not affect the school district's authorized budget (IAC 289—6.5(3)).

Financial Condition Flowchart



Building an Operating Budget

The primary purpose of a budget is to translate the educational priorities of the district into financial terms. It should be a well-conceived plan for financing the educational activities of the community for a given period of time.

The first step in building a budget is to assess the educational needs of the school community. The provisions in the Code of Iowa regarding budget limitations automatically signify the necessity to arrange the needs in the order of priority. Within the limitations, the priorities can be scheduled to the extent funds are available. These limitations may restrict the desires of those fitting the plan to the financing available.

Building a new budget is a continuous process, and should involve long term strategic planning, analysis and evaluation by the board, superintendent, staff, students, and the community.

The preparation of the budget involves three distinct plans: the educational plan, the expenditure plan and the financing plan.

The Educational Plan

The education of children is the primary public purpose of a school district, therefore, the first consideration should be to provide a sound educational plan. This plan should give a picture of the entire school program and will indicate the involvement of personnel and materials which will be needed to carry out such a program. The educational philosophy, mission, goals, and policies of the board should be expressed in sufficient detail to justify the expenditure plan which, when limited to the financial plan, will fulfill the priorities as established.

The Expenditure Plan

This plan should contain an analysis of the cost of the proposed educational plan with both long-range and immediate goals outlined in such a way as to show continuity. Different groupings of expenditures should be available for various information needs of management. This can be accomplished through Uniform Financial Accounting (UFA), which is a Management Information System (MIS).

The Financial Plan

This plan should contain an analysis of the anticipated revenues and other financing resources which will be available to finance the expenditure plan.

Budgeting Philosophies

Program-Based Budgeting

Program-Based Budgeting is a technique in which expenditure plans are formulated and resources appropriated on the basis of the expected services to be performed by organizational units. A line-item approach is used for object or source detail, organized by function or program and by organizational units such as high school or elementary school.

Program, Planning, and Budgeting Systems (PPBS) is a type of program-based budgeting. It emphasizes a systematic analysis of the goals and objectives of the school district, identification of viable alternative methods of achieving these objectives, estimation of the costs of each alternative, estimation of the effectiveness of each alternative, decision making based on the greatest effectiveness for the resources applied in achieving the stated objectives, and a follow-up evaluation of the alternatives selected for future year decisions.

Zero-Based Budgeting

Zero-Based Budgeting is a technique which prepares several service level alternatives based on funding levels for both existing and new program initiatives. Resources are appropriated to the various programs based on the priority of these alternatives. It involves justification of each item in the entire budget during each budgeting cycle as well as consideration of the consequences of not funding a specified program.

Activity-Based Budgeting

Activity-Based Budgeting is a technique originally developed to assist for-profit entities remain competitive in global markets. It is designed to give management information to continuously improve performance and reduce costs. It is a continuous process involving strategic planning and value analysis. It identifies support costs and their relationship to products or outcomes, and determines the best index to count or measure the activity rather than using a single cost accounting measure. This gives a more accurate costing of school district services and is particularly appropriate in a time when finances are tight and choices of activities must be made.

The first step to implement activity-based management is to define the mission, establish a strategic plan, determine activities of the district and assign responsibility. The next step is to have all personnel chart their daily work activities according to the key (major) activities defined in the first step. Activities which fit the listed district activities are all considered value-added activities, and accordingly, non-value added activities are those which don't fit any of the activities listed. This should continue for at least three months to identify cyclic work. In the next step, accounting personnel cost out each activity based on the mission of the entity to determine the actual cost of conducting that activity. They will consider direct costs as well as indirect costs, and costs in terms of number of personnel and use of personnel time. Management then evaluates non-value-added activities to choose which if any to abandon. Management also evaluates the value-added activities to determine if the benefits derived from the activity justify the cost. The goal of personnel is to focus all work toward the strategic plan and the mission and to identify methods to reduce the cost of conducting each activity and to continuously improve service.

Businesses which have implemented activity based management find it very useful in evaluating the real costs of activities and in focusing the entire organization on the mission.

Curriculum-Based Budgeting

Curriculum-Based Budgeting is a technique which has been developed to effectively communicate the needs and purposes of the school district to its internal and external publics. It incorporates many of the techniques from earlier budgeting systems. It involves developing an overall mission and strategic plan individual to the school district and based on the needs identified through input from all of the publics. The plan includes specific goals and objectives. Frequently these objectives are organized around the curriculum of the school district. Each objective is costed, and then all of the objectives are prioritized. Potential resources are determined. The objectives, costs, and resources are analyzed and adjusted until a satisfactory balance is achieved. Each year the results of each objective and its cost are analyzed to determine effectiveness, to reevaluate priorities, and to provide management information.